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WALKER DIGITAL FIVE HIGH RIDGE PARK STAMFORD, CT 06905			BROWN, TIMOTHY M	
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**BEFORE THE BOARD OF PATENT APPEALS  
AND INTERFERENCES**

Paper No. 20040815

Application Number: 09/540,034

Filing Date: March 31, 2000

Appellant(s): WALKER ET AL.

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Dean Alderucci  
For Appellant

**SUPPLEMENTAL  
EXAMINER'S ANSWER**

***Status of the Appeal***

This Supplemental Examiner's Answer is responsive to (i) the Appeal Brief filed April 22, 2004, and (ii) the Remand mailed May 6, 2005. This Supplemental Examiner's Answer supercedes the Examiner's Answer mailed August 27, 2004.

The Remand (Item ii above) requested the examiner to clarify the status of the rejection of claims 1-48, 50-56 and 59-66 under 35 U.S.C. 101 because the preceding Examiner's Answer defended these rejections, but failed to reproduce them in the Appendix. This ground of rejection has been withdrawn in view of recent decisions by the Board on the issue of statutory subject matter and the technological arts.

The Remand also indicated that the Examiner failed to consider the IDS filed June 27, 2003. Accordingly, the documents listed in the IDS have been considered and the IDS has been initialed, signed and attached to this Supplemental Examiner's Answer. The status of the claim rejections remains the same despite the documents cited in the attached IDS.

**(1) *Real Party in Interest***

A statement identifying the real party in interest is contained in the brief.

**(2) *Related Appeals and Interferences***

A statement identifying the related appeals and interferences which will directly affect or be directly affected by or have a bearing on the decision in the pending appeal is contained in the brief.

**(3) *Status of Claims***

The statement of the status of the claims contained in the brief is correct.

**(4) *Status of Amendments After Final***

Appellant's statement of the status of amendments after final rejection contained in the brief is correct.

**(5) *Summary of Invention***

The summary of invention contained in the brief is correct.

**(6) *Issues***

The appellant's statement of the issues in the brief is correct.

**(7) *Grouping of Claims***

Appellant's brief includes a statement that claims 1-70 do not stand or fall together and provides reasons as set forth in 37 CFR 1.192(c)(7) and (c)(8).

**(8) *ClaimsAppealed***

The copy of the appealed claims contained in the Appendix to the brief is correct.

**(9) *Prior Art of Record***

5774870	Storey	6-1998
5,885,008	Goldhaber et al.	12-1998

Krauss, J. "Subsidized TV sets?" Communications and Engineering Design  
(February 1998) (hereinafter "Krauss")

**(10) *Grounds of Rejection***

Claims 1-70 were variously rejected under Title 35 of the United States Code.  
The rejection of the claims as appearing in the Final Office Action is reproduced as an  
appendix to this answer.

**(11) Response to Argument**

**Summary of Response**

Since some of Appellant's groupings relate to topics such as authority, not all the headings require a response. Accordingly, the Examiner responds to the following groupings which present an argument.

**Group 1.3.1 – Krauss suggests Appellant's determining step**

Appellant argues the references do not suggest *determining a third party subsidy offer to be provided to the customer* because Krauss does not teach an offer (Brief p. 17). This argument is not persuasive.

First, Krauss was not offered for teaching an offer, but for its teaching of "applying a third party subsidy to the transaction" (see Final Office Action p. 5). This makes Appellant's argument moot.

Second, Krauss' offer is just like the offer defined in Appellant's specification. The specification states a "subsidy offer refers to any offer associated with a benefit from a third party . . ." (p. 6, lines 26-27) and that "the particular *third party subsidy amount* and/or particular merchant subsidy are *not disclosed to the customer*" (p.8, lines 18-20). Therefore, Appellant's "offer" is just a benefit that enhances a transaction. Krauss' method of subsidizing a cell phone purchase teaches such a benefit (i.e. offer). This is because Krauss' method involves a customer receiving a benefit from a third party, and not the merchant selling the phone. Therefore, Krauss' teaching of Appellant's offer supports the combination of Storey and Krauss.

**Group 1.3.2 – One of ordinary skill would have been motivated to combine the references**

Appellant argues the prior art does not support the Examiner's motivation for combining the references. That is, the references do not provide any reason for letting the customer shop from a third party vendor. This argument is not persuasive for the following reasons.

First, Storey expressly supports the Examiner's motivation for purchasing from a third party vendor. The Office Action stated the benefit of purchasing from a third party was to enable customers to shop from third party vendors in order to provide the customer with a wider range of product options." Similarly, Storey states "the selection of available prizes is expanded by the merchants who join the program . . ." (col. 2, lines 25-27). Therefore, Storey's disclosure expressly supports the Examiner's motivation for combining Storey and Kraus.

Second, Storey's disclosed method of operation suggests using a third party vendor. This is because Storey's customer order is actually sent to, and fulfilled by, a third party vendor (see Fig. 2, char. 160; Fig. 4, char. 530). Storey also states its redemption program "establish[es] a communication link and places a PRODUCT ORDER, 160, with the company" (col. 5, lines 28-30). By disclosing order fulfillment by a third party, Storey strongly suggests enabling the customer to deal directly with a third party vendor.

Even if Storey did not expressly suggest Krauss' third party, it is important to note the motivation to combine references may also come from the knowledge generally available to one of ordinary skill in the art. In the present case, Storey and Krauss were combined to let customers buy items directly from a third party vendor. Surely it was within the skilled artisan's general knowledge that third party vendors often have a greater variety of products since they often specialize in a specific type of good. Knowing this, the skilled artisan would have appreciated that modifying Storey to include a third party vendor would provide more products. Therefore, the knowledge generally available in the art suggests the asserted combination.

### **Group 1.3.3 – Level of Skill**

Appellant argues the rejection of Group I under 103(a) is improper because the Examiner does not provide evidence of the level of skill in the art (Brief p. 20). Appellant notes the record only shows that the level of skill is low (*Id.*). This argument is not persuasive for four reasons.

First, Appellant's own conclusion as to the low level of skill in the art is conclusory and unsupported; Appellant provides no evidence that the level of skill is low. Second, Appellant admits an obviousness rejection does not require a statement as to the level of skill in the art (*Id.* at first paragraph). Thus, Appellant's point is moot. Third, the references themselves indicate the level of skill in the art. That is, Storey and Krauss describe how artisans, at the time of Appellant's invention, solved the problem of providing customer subsidies. Fourth, Appellant's argument is spurious; taking

Appellant's argument literally, the finding as to obviousness turns on whether the rejection had a sentence that stated "the level of skill in the art is high." For these four reasons, Appellant's level of skill argument is not persuasive.

#### **Group 1.4 – Statutory Subject Matter**

The rejection of the claims as being drawn to non-statutory subject matter is withdrawn as noted above.

#### **Group 2.3.1 – Storey suggests evaluating based on a third party benefit**

Appellant argues Storey cannot suggest *evaluating . . . based on the third party benefit* because Storey "does not involve any third party benefits" (Brief p. 24). However, Storey clearly involves third party benefits. This is because Storey's customer award (i.e. "benefit") is provided by either a "fulfillment house," or a separate product manufacturer (see col. 10, line 4). Both of these entities are a third party other than the merchant. Thus, Appellant's argument that Storey does not involve third party benefits is not persuasive.

#### **Group 2.3.2 – The combination of references is properly motivated**

Appellant argues there is no suggestion to make an evaluation based on a third party benefit (Brief p. 24). However, this feature does not need to be *suggested* since it is taught by the primary reference (i.e. Storey).

### **Group 2.3.3 – Level of skill**

Appellant argues the level of skill would not permit the proposed combination. The Examiner incorporates by reference the response under Group 1.3.3.

### **Group 2.4 – Statutory Subject Matter**

The rejection of the claims as being drawn to non-statutory subject matter is withdrawn as noted above.

### **Group 3.3.1 – The references Appellant's determining step**

Appellant argues the references do not teach or suggest “determining a third party subsidy offer . . . in response to an indication that the customer is interested in purchasing the item” (Brief p. 27). This is inaccurate.

First, Storey teaches Appellant’s determining step where Storey discloses calculating (i.e. “determining”) the number of award points a customer gets for purchasing a product (col. 5, lines 43-44). The award points comprise “a subsidy offer” because they are offered as an incentive that is separate from the primary transaction. Moreover, the award points (i.e. subsidy offer) are calculated (i.e. determined) “in response to an indication that the customer is interested in purchasing the item” because they are calculated (i.e. determined) after the user has purchased the item. Purchasing the item at least indicates that the user is interested in purchasing it. Thus, Storey teaches “determining a third party subsidy offer . . . in response to an indication that the customer is interested in purchasing the item.”

Second, Storey suggests Krauss' "third party" subsidy; Storey's customer award order is filled by a third party fulfilment house or a third party product manufacturer (col. 10, lines 2-5). Storey also indicates that merchants may want to consider alternatives to offering their own award catalogs since creating and maintaining them "may take too much time" (col. 8, lines 28-34). Thus, by disclosing the performance of a business function by a third party, and the burden of maintaining a catalog of subsidy offers, Storey suggests "a *third party subsidy offer*" as a means of outsourcing for efficiency.

Based on the foregoing, the combination of Storey and Krauss teaches "determining a third party subsidy offer . . . in response to an indication that the customer is interested in purchasing."

### **Group 3.3.2 – The combination of references is properly motivated**

Appellant argues there is no motivation to combine the references. The Examiner respectfully disagrees and incorporates by reference the response under Group 1.3.2. As noted there, the motivation to combine the references is expressly supported by Storey and the knowledge generally available in the art.

### **Group 3.3.3– Level of skill**

The Examiner respectfully submits Appellant's comments as to the level of skill are not persuasive as argued under Group 1.3.3.

**Group 3.4 – Statutory Subject Matter**

The rejection of the claims as being drawn to non-statutory subject matter is withdrawn as noted above.

**Group 4.3.1 – The references suggest Appellant's determining step**

Appellant argues the references do not teach or suggest wherein “determining a third party subsidy offer to be provided to the customer comprises receiving an indication of the third party subsidy offer” (Brief p. 30). The Examiner respectfully submits Storey and Krauss teach “determining a third party subsidy offer to be provided to the customer” as noted under Group 3.3.1.

Storey and Krauss further teach “comprises receiving an indication of the third party subsidy offer.” Storey’s award catalog teaches a subsidy offer in that it communicates a number of items (i.e. subsidy offers) a customer may get in exchange for buying items (Abstract lines 1-3). Storey’s award catalog also teaches “receiving an indication of the . . . subsidy offer.” This results because by browsing the award catalog (Abstract, line 3), the user receives an indication of all the awards (i.e. subsidy offers) that are available.

Based on the foregoing, Storey suggests “determining a third party subsidy offer to be provided to the customer comprises receiving an indication of the third party subsidy offer.”

**Group 4.3.2 – The combination of references is properly motivated**

Appellant argues neither Storey nor Krauss suggest the desirability of “receiving an indication of the third party subsidy offer.” This argument is moot to the extent that Storey teaches “receiving an indication of the subsidy offer;” because Storey teaches this feature, obviousness does require Storey to suggest it. Moreover, Storey suggests “a third party subsidy” as noted under Group 3.3.1. For these reasons, the combination of Storey and Krauss is properly motivated.

**Group 4.3.3– Level of skill**

The Examiner respectfully submits Appellant’s comments as to the level of skill are not persuasive as argued under Group 1.3.3.

**Group 4.4 – Statutory Subject Matter**

The rejection of the claims as being drawn to non-statutory subject matter is withdrawn as noted above.

**Group 5.3.1 – The references suggest a merchant subsidy amount**

Appellant argues Storey does not teach “the merchant benefit comprises a merchant subsidy amount” (Brief p. 33). This is incorrect based on Storey’s frequency award program which awards customer’s points (i.e. a merchant benefit) in exchange for purchasing an item (Abstract, lines 1-9). Moreover, the award points (i.e. merchant

subsidy) have an amount because they are based on a calculated numerical value (see col. 5, lines 40-45). Thus, Storey teaches “the merchant benefit comprises a merchant subsidy amount.”

**Group 5.3.2 – The combination is properly motivated**

Appellant argues there is no motivation to combine Storey and Krauss. The Examiner respectfully this combination is properly motivated as discussed under Group 1.3.1.

Appellant further argues neither Storey nor Krauss suggest the desirability of a merchant subsidy amount (Brief p. 33). This argument is moot in that the primary reference, Storey, teaches a merchant subsidy amount. Thus, Storey does not need to suggest this limitation to support an obviousness rejection.

**Group 5.3.3– Level of skill**

The Examiner respectfully submits Appellant’s comments as to the level of skill are not persuasive as argued under Group 1.4.

**Group 5.4 – Statutory Subject Matter**

The rejection of the claims as being drawn to non-statutory subject matter is withdrawn as noted above.

**Group 6.3.1 – The references suggest the claimed merchant subsidy amount**

Appellant argues the references do not suggest basing the merchant subsidy amount on a retail price associated with the item less the third party subsidy amount. This limitation basically reads on calculating a discount by subtracting a subsidy from the item's regular price. With the exception of the third party, this is what Storey teaches. Every time a customer buys an item using their reward points (i.e. subsidy), Storey determines *not* to provide an additional discount since the item's total price is covered (col. 5, lines 64-67; and col. 6, lines 1-6). Thus, the asserted combination at least suggests basing the merchant subsidy amount on a retail price associated with the item less the third party subsidy amount.

**Group 6.3.2 – The combination is properly motivated**

Appellant argues there is no motivation to combine the references. The Examiner respectfully disagrees and incorporates by reference the response under Group 1.3.2.

**Group 6.3.3– Level of skill**

The Examiner respectfully submits Appellant's comments as to the level of skill are not persuasive as argued under Group 1.3.3.

**Group 6.4 – Statutory Subject Matter**

The rejection of the claims as being drawn to non-statutory subject matter is withdrawn as noted above.

**Group 7.3.1 – The references suggest providing the item for free**

Appellant argues Storey cannot teach “wherein the merchant benefit comprises providing the item to the customer for free” because Storey does not teach any subsidies, and that the merchant does not provide anything for free (Brief p. 39). Appellant mischaracterizes Storey. Clearly, Storey’s description of allowing customers to redeem points for an item amounts to providing an item for free (see col. 10, lines 16). Moreover, the reward points are a subsidy that is earned as a bonus to a primary transaction (see col. 7, lines 36-51). Therefore, Storey teaches “wherein the merchant benefit comprises providing the item to the customer for free.”

**Group 7.3.2 – The combination is properly motivated**

Appellant argues there is no motivation to combine the references. The Examiner respectfully disagrees and incorporates by reference the response under Group 1.3.2.

**Group 7.3.3– Level of skill**

The Examiner respectfully submits Appellant’s comments as to the level of skill are not persuasive as argued under Group 1.3.3.

**Group 7.4 – Statutory Subject Matter**

The rejection of the claims as being drawn to non-statutory subject matter is withdrawn as noted above.

**Group 8.3.1 – The references suggest comparing the claimed prices**

Appellant argues none of the references suggest “comparing the reduced item price, the third party subsidy amount, and a cost of the item to the merchant” (Brief p. 42). However, this limitation merely adjusts the merchant’s profit based on the appeal of the total transaction to the customer. The knowledge generally available in the art appreciates that the price of an item is based on the item’s relative value to a potential buyer. This ensures that the seller gets the highest price the buyer will pay. Thus, the knowledge generally available at the time of Appellant’s invention suggests “comparing the reduced item price, the third party subsidy amount, and a cost of the item to the merchant.”

**Group 8.3.2 – The combination is properly motivated**

Appellant argues there is no motivation to combine the references. The Examiner respectfully disagrees and incorporates by reference the response under Group 1.3.2.

**Group 8.3.3– Level of skill**

The Examiner respectfully submits Appellant’s comments as to the level of skill are not persuasive as argued under Group 1.3.3.

#### **Group 8.4 – Statutory Subject Matter**

The rejection of the claims as being drawn to non-statutory subject matter is withdrawn as noted above.

#### **Group 9.3.1 – The references suggest comparing the claimed prices**

Appellant argues none of the references suggest “comparing the reduced item price, the third party subsidy amount, and a retail price associated with the item” (Brief p. 42). However, as with Group 8.3.1, this limitation merely adjusts the merchant’s profit based on the appeal of the total transaction to the customer. Accordingly, the Examiner asserts the knowledge generally available in the art at the time of Appellant’s invention suggests Appellant’s comparing step.

#### **Group 9.3.2 – The combination is properly motivated**

Appellant argues there is no motivation to combine the references. The Examiner respectfully disagrees and incorporates by reference the response under Group 1.3.2.

#### **Group 9.3.3– Level of skill**

The Examiner respectfully submits Appellant’s comments as to the level of skill are not persuasive as argued under Group 1.3.3.

**Group 9.4 – Statutory Subject Matter**

The rejection of the claims as being drawn to non-statutory subject matter is withdrawn as noted above.

**Group 10.3.1 – The references suggest Appellant's determining step**

Appellant argues none of the references suggest "determining the reduced price based on the third party subsidy amount and at least one of (price, cost and acceptable margin)" (Brief p. 48). As with Group 8.3.1, this limitation merely adjusts the merchant's profit based on the appeal of the total transaction to the customer. Accordingly, the Examiner asserts the knowledge generally available in the art at the time of Appellant's invention suggests Appellant's comparing step.

**Group 10.3.2 – The combination is properly motivated**

Appellant argues there is no motivation to combine the references. The Examiner respectfully disagrees and incorporates by reference the response under Group 1.3.2.

**Group 10.3.3– Level of skill**

The Examiner respectfully submits Appellant's comments as to the level of skill are not persuasive as argued under Group 1.3.3.

**Group 10.4 – Statutory Subject Matter**

The rejection of the claims as being drawn to non-statutory subject matter is withdrawn as noted above.

**Group 11.3.1 – The references suggest the claimed merchant benefit**

Appellant argues none of the references suggest wherein “the merchant benefit comprises another item to be provided to the customer in place of the item” (Brief p. 51). This limitation is just a bargaining tool wherein a merchant offers a buyer a better item. It is well within the knowledge generally available to one skilled in the art that such an offering can be made to make a transaction more appealing. Therefore, by disclosing bargaining for an item, Storey suggests “the merchant benefit comprises another item to be provided to the customer in place of the item.”

**Group 11.3.2 – The combination is properly motivated**

Appellant argues there is no motivation to combine the references. The Examiner respectfully disagrees and incorporates by reference the response under Group 1.3.2.

**Group 11.3.3– Level of skill**

The Examiner respectfully submits Appellant’s comments as to the level of skill are not persuasive as argued under Group 1.3.3.

**Group 11.4 – Statutory Subject Matter**

The rejection of the claims as being drawn to non-statutory subject matter is withdrawn as noted above.

**Group 12.3.1 – The references suggest the claimed merchant benefit**

Appellant argues none of the references suggest “an improved transaction term, which comprises at least one of (i) a warranty term and (ii) an interest rate term” (Brief p. 54). The Examiner respectfully disagrees inasmuch as Storey relates to the sale of products (abstract line 3). Surely it was within the general knowledge of the skilled artisan that a warranty can increase the value of a product. Therefore, at the time of Applicants' invention, one of ordinary skill in the art would have been motivated to offer the purchaser a warranty in order to increase the appeal of the transaction. Therefore, by disclosing the sale of products, Storey and the general knowledge in the art suggests “an improved transaction term, which comprises at least one of (i) a warranty term and (ii) an interest rate term.”

**Group 12.3.2 – The combination is properly motivated**

Appellant argues there is no motivation to combine the references. The Examiner respectfully disagrees and incorporates by reference the response under Group 1.3.2.

**Group 12.3.3 – Level of skill**

The Examiner respectfully submits Appellant's comments as to the level of skill are not persuasive as argued under Group 1.3.3.

**Group 12.4 – Statutory Subject Matter**

The rejection of the claims as being drawn to non-statutory subject matter is withdrawn as noted above.

**Group 13.3.1 – The references suggest the claimed improved transaction term**

Appellant argues Storey cannot suggest “determining a merchant subsidy amount based on a retail price associated with the item, less the third party subsidy amount” because Storey lacks any teaching of a third party benefit (Brief p. 57). Appellant’s argument is not persuasive because the rejection offers Krauss for teaching a third party subsidy, not Storey. Moreover, as stated in the Office Action, a third party subsidy would enable customers to shop from third party vendors who typically have a specific product selection (see Office Action p. 14). Storey states such an objective would be desirable in that “the selection available prizes is expanded by the merchants who join the program . . . ” (col. 2, lines 24-26). Based on the foregoing, Storey suggests the claimed determining step.

**Group 13.3.2 – The references suggest the claimed improved transaction term**

Appellant argues Storey does not suggest “determining a retail margin based on a retail price associated with the item less a cost of the item to a merchant” (Brief p. 57). This argument is frivolous. Appellant’s determining step is basically drawn to selling an item for a profit . Appellant cannot seriously argue one of ordinary skill in the art would not be motivated to sell Storey’s products for a profit. Selling items for profit was certainly within the general knowledge available at the time of Appellant’s invention. Therefore, one of

ordinary skill in the art would have been motivated to sell Storey's items at "a retail margin based on a retail price associated with the item less a cost of the item to a merchant."

**Group 13.3.3 – The references suggest Appellant's applying step**

Appellant argues the references do not suggest "applying the merchant subsidy amount to the transaction amount if the retail margin less the merchant subsidy amount is at least equal to a minimum acceptable margin associated with the item" (Brief p. 58). As with the preceding limitation, Appellant's applying step is basically drawn to selling an item for a profit. Thus, one of ordinary skill in the art would have been motivated to make the asserted combination as argued under Group 13.3.2.

**Group 13.3.4 – The combination is properly motivated**

Appellant argues there is no motivation to combine the references. The Examiner respectfully disagrees and incorporates by reference the response under Group 1.3.2.

**Group 13.3.5 - Level of skill**

The Examiner respectfully submits Appellant's comments as to the level of skill are not persuasive as argued under Group 1.3.3.

**Group 13.4 – Statutory Subject Matter**

The rejection of the claims as being drawn to non-statutory subject matter is withdrawn as noted above.

**Group 14.3.1 – The motivation to combine references is shown and is proper**

Appellant argues there is no motivation to modify Storey and Krauss to conceal the third party and merchant subsidies from the customer (Brief p. 61). The Examiner respectfully maintains that concealing a party's costs during a business negotiation is well within the knowledge generally available to the skilled artisan. For example, one could hardly imagine walking onto a car lot and getting the dealer's acquisition cost before beginning negotiations for a car. Accordingly, the knowledge generally available at the time of Appellant's invention suggests concealing the third party subsidy and the merchant subsidy as claimed.

**Group 14.3.2– Level of skill**

The Examiner respectfully submits Appellant's comments as to the level of skill are not persuasive as argued under Group 1.4.

**Group 14.4 – Statutory Subject Matter**

The rejection of the claims as being drawn to non-statutory subject matter is withdrawn as noted above.

**Group 15.3.1 – The references suggest Appellant's determining a third party subsidy offer**

Appellant the references do not suggest “determining a third party subsidy offer to be provided to the customer” (Brief p. 64). The Examiner respectfully disagrees as discussed under Group 1.3.2.

#### **Group 15.3.2 – Storey suggests Appellant’s Determining Step**

Appellant argues the references fail to suggest “determining a merchant subsidy amount to be applied to the transaction” (Brief p. 64). Clearly, Storey teaches a merchant subsidy in that it grants points towards the purchase of an item as an incentive to buy something else (see abstract). These points are a “subsidy” in that they are awarded in addition to the thing the purchaser originally bargained for. Therefore, the asserted combination at least suggests “determining a merchant subsidy amount to be applied to the transaction.”

#### **Group 15.3.3 – The combination is properly motivated**

Appellant argues there is no motivation to combine the references. The Examiner respectfully disagrees and incorporates by reference the response under Group 1.3.2.

#### **Group 15.3.4– Level of skill**

The Examiner respectfully submits Appellant’s comments as to the level of skill are not persuasive as argued under Group 1.3.3.

#### **Group 15.4 – Statutory Subject Matter**

The rejection of the claims as being drawn to non-statutory subject matter is withdrawn as noted above.

For the above reasons, it is believed that the rejections should be sustained.

Respectfully submitted,  
  
Jeffrey A. Smith  
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tb/JAS  
November 15, 2005

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## APPENDIX

### ***Claim Rejections - 35 USC § 103***

1. The text of those sections of Title 35, U.S. Code not included in this action can be found in a prior Office action.
2. **Claims 1-26, 32-43, 45, 46, 48-54, 57-60, 63-70 are rejected under 35 U.S.C. 103(a) as being unpatentable over Storey (US 5,774,870) in view of Krauss (Krauss, J. "Subsidized TV sets?" Communications Engineering & Design (February 1998).**

Regarding claims 1, 66, 67 and 70, Storey teaches a method for processing a transaction in which a customer purchases an item from a merchant, comprising:  
determining a subsidy offer to be provided to the customer, the subsidy offer being associated with benefit to be applied to the transaction (Abstract; and col. 4, lines 26-52);  
and

evaluating whether a merchant benefit will be applied to the transaction (Abstract, col. 4, lines 11-26; col. 5, lines 64-67; and col. 6, lines 1-6).

Storey does not expressly teach applying a third party subsidy to the transaction. However, Krauss discloses a method wherein a customer's purchase of a television, from a merchant, is subsidized by a cable service provider cable (page 1). Krauss therefore discloses applying a third party subsidy to a transaction between a merchant and a customer. At the time of the Appellants' invention, it would have been obvious to modify Storey to include applying a third party subsidy to the transaction in order to enable the customer to complete the subsidized purchase of an item directly from a third party vendor.

The benefit of purchasing from a third party vendor would be to provide the customer with a wider range of product options.

Regarding claim 2, Storey teaches basing said evaluation based on the third party benefit (Abstract, col. 4, lines 11-26; col. 5, lines 64-67; and col. 6, lines 1-6).

Regarding claims 3 and 5, Storey teaches performing said determining step in response to an indication that the customer is interested in purchasing the item and said determining comprises receiving an indication of the third party subsidy offer (col. 5, lines 37-50 and 64-67; and col. 6, lines 1-6).

Regarding claim 4, Storey teaches the step wherein said evaluating is performed in response to an indication that the customer is interested in purchasing the item (col. 5, lines 64-67; and col. 6, lines 1-6).

Regarding claim 6, Storey the step wherein said receiving is performed prior to receiving an indication that the customer is interested in purchasing the item (col. 5, lines 37-50).

Regarding claim 7, Storey teaches the step wherein said receiving is performed in response to a request transmitted after receiving an indication that the customer is interested in purchasing the item (col. 5, lines 37-50).

Regarding claim 8, Storey teaches the step wherein said determining comprises: retrieving an indication of the third party subsidy offer (col. 5, lines 41-47).

Regarding claim 9, Storey teaches the step wherein the third party benefit comprises a third party subsidy amount and the merchant benefit comprises a merchant subsidy amount (col. 5, lines 36-50 and 64-67; and col. 6, liens 1-6).

Regarding claim 10, Storey teaches the step wherein the merchant subsidy amount is based on a retail price associated with the item less the third party subsidy amount (col. 5, lines 64-67; and col. 6, lines 1-6).

Regarding claim 11, Storey teaches the step wherein evaluating comprises comparing a retail margin associated with the item and the merchant subsidy amount (col. 5, lines 51-64).

Regarding claim 12, Storey teaches wherein the retail margin comprises the retail price less a cost of the item to the merchant (col. 5, lines 51-64).

Regarding claim 13, Storey teaches the step wherein the merchant subsidy amount is applied to the transaction if the retail margin less the merchant subsidy amount is at least equal to a minimum acceptable margin associated with the item (col. 5, lines 51-64).

Regarding claim 14, Storey teaches the step wherein the third party benefit comprises a third party subsidy amount and the merchant benefit comprises providing the item to the customer for free (Abstract, col. 5, lines 51-66).

Regarding claim 15, Storey teaches the step wherein said evaluating comprises comparing the third party subsidy amount and a cost of the item to the merchant (col. 5, lines 36-50).

Regarding claim 16, Storey teaches the step wherein the item is provided to the customer for free if the third party subsidy amount is at least equal to the cost of the item (col. 5, lines 51-61; and col. 6, lines 1-6).

Regarding claim 17, Storey teaches the step wherein said evaluating comprises comparing the third party subsidy amount and a retail price associated with the item (col. 5, lines 51-61; and col. 6, lines 1-6).

Regarding claim 18, Storey teaches the step wherein the item is provided to the customer for free if the third party subsidy amount is at least equal to the retail price (col. 5, lines 51-61; and col. 6, lines 1-6).

Regarding claim 19, Storey teaches the step wherein the third party benefit comprises a third party subsidy amount, the merchant benefit comprises a reduced item price, and said evaluating comprises comparing the reduced item price, the third party subsidy amount, and a cost of the item to the merchant (Abstract, col. 5, lines 36-67; and col. 6, lines 1-6).

Regarding claim 20, Storey teaches the step wherein the reduced item price is applied to the transaction if a margin associated with the transaction is at least equal to a minimum acceptable margin associated with the item (col. 5, lines 51-64).

Regarding claim 21, Storey teaches the step wherein the margin associated with the transaction comprises the third party subsidy amount plus the reduced item price less the cost of the item (col. 5, lines 51-64).

Regarding claim 22, Storey teaches the step wherein the reduced item price is applied to the transaction without being disclosed to the customer (col. 6, lines 54-62).

Regarding claim 23, Storey teaches the step wherein the reduced item price is based on at least one of: (i) a retail price associated with the item less a predetermined amount, and (ii) a predetermined percentage of the retail price (col. 5, lines 36-67).

Regarding claim 24, Storey teaches the step wherein the third party benefit comprises a third party subsidy amount, the merchant benefit comprises a reduced item price, and said evaluating comprises comparing the reduced item price, the third party

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subsidy amount and a retail price associated with the item (Abstract, col. 5, lines 36-67; and col. 6, lines 1-6).

Regarding claim 25, Storey teaches the step wherein the reduced item price is applied to the transaction if the reduced item price plus the third party subsidy amount is at least equal to the retail price (Abstract, col. 5, lines 36-67; and col. 6, lines 1-6).

Regarding claim 26, Storey teaches the step wherein the third party benefit comprises a third party subsidy amount, the merchant benefit comprises a reduced item price, and further comprising:

determining the reduced item price based on the third party subsidy amount and at least one of: (i) a retail price associated with the item, (ii) a cost of the item to the merchant, and (iii) a minimum acceptable margin (Abstract, col. 5, lines 36-67; and col. 6, lines 1-6).

Regarding claim 32, Storey teaches the step wherein said evaluating is based on information associated with the customer (col. 5, lines 35-60 and 64-67; and col. 6, lines 1-6).

Regarding claim 33, Storey teaches the step wherein the information associated with the customer comprises at least one of (i) an address, (ii) demographic information, (iii) psychographic information, (iv) a credit rating, (v) an association of the customer with the merchant, (vi) an association of the customer with a merchant competitor, (vii) information associated with at least one previous transaction, (viii) a previous subsidy offer provided to the customer, (ix) a previous subsidy offer accepted by the customer, and (x) a previous subsidy offer rejected by the customer (col. 5, lines 35-60 and 64-67; and col. 6, lines 1-6).

Regarding claim 34, Storey teaches the step wherein said evaluating is based on information associated with the item (col. 5, lines 35-60 and 64-67; and col. 6, lines 1-6).

Regarding claim 35, Storey teaches the step wherein the information associated with the item comprises at least one of: (i) an item category, (ii) an item class, (iii) an item feature, (iv) revenue management information, (v) a number of transactions being complete by the merchant, (vi) an amount of profit being made by the merchant, (vii) a supply of the item, and (viii) a demand for the item (col. 5, lines 35-60 and 64-67; and col. 6, lines 1-6).

Regarding claim 36, Storey teaches the step wherein said evaluating is based on at least one other item being purchased by the customer in the transaction (col. 5, lines 35-60 and 64-67; and col. 6, lines 1-6).

Regarding claim 37, Storey teaches the step wherein said evaluating is based on a margin associated with the at least one other item.(col. 5, lines 35-60 and 64-67; and col. 6, lines 1-6).

Regarding claim 38, Storey teaches the step wherein said evaluating is based on at least one prior transaction between the customer and the merchant (col. 5, lines 35-60 and 64-67; and col. 6, lines 1-6).

Regarding claim 39, Storey teaches the step wherein the third party benefit is not revealed to the customer (col. 6, lines 54-26).

Regarding claim 40, Storey teaches the step wherein the merchant benefit is not revealed to the customer (col. 6, lines 64-52).

Regarding claim 41, Storey and Krauss teach all the limitations discussed under claim 1. Storey does not expressly teach the step wherein the third party benefit and the merchant benefit are not revealed to the customer. However, Krauss teaches applying a third party subsidy to the purchase of a cell phone wherein the subsidy is given to the merchant and not the customer (page 1). At the time of Appellants' invention, it would have

been obvious to one of ordinary skill in the art, to modify Storey to include the step wherein the third party benefit and the merchant benefit are not revealed to the customer. This would provide the third party subsidy provider greater bargaining power since the customer would not know the subsidy amount. Thus, the customer would be prevented from searching out the most generous third party subsidy.

Regarding claim 42, Storey teaches the step wherein the third party subsidy offer is conditioned upon performance of a first task by the customer (Abstract, col. 5, lines 36-67 and 64-67; and col. 6, lines 1-6).

Regarding claim 43, Storey teaches the step wherein the merchant benefit is associated with a merchant subsidy offer (Abstract, col. 5, lines 36-67 and 64-67; and col. 6, lines 1-6).

Regarding claim 45, Storey teaches the step wherein the merchant subsidy offer is conditioned upon performance of a second task by the customer (Abstract; col. 5, lines 36-50 and 64-67; and col. 6, lines 1-6).

Regarding claim 46, Storey teaches the step wherein the second task comprises at least one of (i) returning to the merchant within a predetermined period of time, (ii) purchasing another item from the merchant within a predetermined period of time, (iii) providing information to the merchant, and (iv) receiving information from the merchant (Fig. 6; Abstract; col. 5, lines 36-50 and 64-67; and col. 6, lines 1-6).

Regarding claim 48, Storey teaches transmitting an indication of the merchant subsidy offer to the customer; and receiving a response to the merchant subsidy offer from the customer (Abstract; col. 5, lines 36-50 and 64-67; and col. 6, lines 1-6).

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Regarding claim 49, Storey teaches the step wherein said transmitting is performed via at least one of: (i) a Web page, (ii) a telephone, (iii) an interactive voice response unit, (iv) a point of sale terminal, (v) an automatic teller machine, (vi) a personal digital assistant, (vii) a portable customer device, (viii) an electronic mail message, and (ix) a kiosk (Abstract; col. 5, lines 36-50 and 64-67; and col. 6, lines 1-6).

Regarding claim 50, Storey teaches transmitting an indication of the third party subsidy offer to the customer (Abstract, col. 5, lines 36-50 and 64-67; and col. 6, lines 1-6).

Regarding claim 51, Storey teaches the step wherein the merchant benefit is determined prior to said transmitting (col. 5, lines 54-62).

Regarding claim 52, Storey teaches receiving an indication that the customer is interested in purchasing the item (Abstract; col 5, lines 36-50 and 64-67; and col. 6, lines 1-6).

Regarding claim 53, Storey teaches the step wherein at least one of said determining and said evaluating are performed in response to said receiving (Abstract; col 5, lines 36-50 and 64-67; and col. 6, lines 1-6).

Regarding claim 54, Storey teaches the step wherein said receiving comprises receiving from the customer an order for the item (Abstract; col 5, lines 36-50 and 64-67; and col. 6, lines 1-6).

Regarding claim 57, Storey teaches the step wherein said receiving comprises receiving at least one of:

information stored at a customer device,

an indication from an input device associated with the customer,

an indication that the customer is viewing information about the item,

an indication that the customer has viewed information about the item for a predetermined period of time,

an indication that the customer is providing payment for the item, a search term, a price request,

an indication that the customer is no longer interested in purchasing the item, an indication that the customer is not going to purchase the item at an original price, an indication that the customer is interested in purchasing another item,

an indication that the customer is purchasing the item from another merchant,

a bid for the item,

an offer to purchase the item, the offer including a customer defined price for the item, and

an indication that a second customer is interested in purchasing the item (Abstract, col. 5, lines 36-50 and 64-67; and col. 6, lines 1-6).

Regarding claim 58, Storey teaches the step wherein said receiving is performed via at least one of: (i) a Web page, (ii) a telephone, (iii) an interactive voice response unit, (iv) a point of sale terminal, (v) an automatic teller machine, (vi) a personal digital assistant, (vii) a portable customer device, (viii) an electronic mail message, and (ix) a kiosk (Abstract, col. 5, lines 36-50 and 64-67; and col. 6, lines 1-6).

Regarding claim 59 Storey teaches the step wherein the merchant benefit comprises another item to be provided to the customer in place of the item (Abstract).

Regarding claim 60, Storey teaches the step wherein the merchant benefit comprises another item to be provided to the customer in addition to the item (col. 8, lines 29-41 and 65-66).

Regarding claim 63, Storey teaches the step wherein said determining comprises determining a plurality of potential third party subsidy offers, and further comprising selecting the third party subsidy offer to be provided to the customer from the plurality of potential third party subsidy offers (Abstract; col. 4, lines 11-26; and col. 5, lines 36-51).

Regarding claim 64, Storey teaches a method for processing a transaction in which a customer purchases an item from a merchant, comprising:

determining a subsidy to be provided to the customer, the subsidy being associated with (i) an amount to be applied to the transaction and (i) performance of a task by the customer (Abstract; col. 4, lines 26-52; col. 5, lines 36-50 and 64-67 and col. 6, lines 1-6);

determining a merchant subsidy amount based on a retail price associated with the item less the third party subsidy amount (col. 5, lines 51-61; and col. 6, lines 1-6);

determining a retail margin based on a retail price associated with the item less a cost of the item to the merchant (col. 5, lines 51-64; and col. 6, lines 1-6); and

applying the merchant subsidy amount to the transaction if the retail margin less the merchant subsidy amount is at least equal to a minimum acceptable margin associated with the item (col. 5, lines 51-64).

Storey does not expressly teach applying a third party subsidy to the transaction. However, Krauss discloses a method wherein a customer's purchase of a television, from a merchant, is subsidized by a cable service provider cable (page 1). Krauss therefore discloses applying a third party subsidy to a transaction between a merchant and a customer. At the time of the Appellants' invention, it would have been obvious to modify Storey to include applying a third party subsidy to the transaction in order to enable the customer to complete the subsidized purchase of an item directly from a third party vendor.

The benefit of purchasing from a third party vendor would be to provide the customer with a wider range of product options.

Storey does not expressly teach the step wherein the third party subsidy and the merchant subsidy are not revealed to the customer. However, Krauss teaches applying a third party subsidy to the purchase of a cell phone wherein the subsidy is given to the merchant and not the customer (page 1). At the time of Appellants' invention, it would have been obvious to one of ordinary skill in the art, to modify Storey to include the step wherein the third party subsidy and the merchant subsidy are not revealed to the customer. This would provide the third party subsidy provider greater bargaining power since the customer would not know the subsidy amount. Thus, the customer would be prevented from searching out the most generous third party subsidy.

Regarding claim 65, Storey and Krauss teach all the limitations discussed under claim 64. Storey further teaches receiving an indication that the customer is interested in purchasing the item (col. 5, lines 64-67; and col. 6, lines 1-6).

Regarding claim 68 Storey teaches a communication device coupled to said processor and configured to communicate with at least one of: (i) a customer device, (ii) a subsidy provider device, and (iii) a controller (Abstract).

Regarding claim 69, Storey inherently teaches the step wherein said storage device further stores at least one of (i) a customer database, (ii) an item database, (iii) a third party subsidy database, (iv) a merchant subsidy database, and (v) a transaction database.

**3. Claims 27-31, 47, 55, 61 and 62 rejected under 35 U.S.C. 103(a) as being unpatentable over Storey (US 5,774,870) in view of Krauss (Krauss, J.**

**"Subsidized TV sets?" Communications Engineering & Design (February 1998) and Official Notice.**

Regarding claim 27, Storey and Krauss teach all the limitations discussed under claim 1. Storey further teaches a third party subsidy and a merchant subsidy (Abstract, col. 5, lines 36-67 and 64-67; and col. 6, lines 1-6). Storey and Krauss do not expressly teach receiving a customer offer to purchase the item in exchange for payment of an offer amount. However, the Examiner takes Official Notice that communicating a buyer's purchase offer over the Internet is old and well-known in the art. Therefore, at the time of Appellants' invention, it would have been obvious to one of ordinary skill in the art, to modify Storey and Krauss to include receiving a customer offer to purchase the item in exchange for payment of an offer amount. This combination would enable the customer to complete the purchase of the item through a negotiation process.

Regarding claim 28, Storey teaches the step wherein the customer offer comprises at least one of (i) a binding offer, and (ii) an auction bid (Abstract).

Regarding claim 29, Storey and Krauss teach all the limitations discussed under claim 27. Storey and Krauss do not expressly teach the step wherein the customer offer amount is based on a customer-defined price. However, the Examiner takes Official Notice that reverse auctioning is old and well known in the art. Therefore, at the time of Appellants' invention, it would have been obvious to modify Storey, to include receiving a customer-defined price in order to permit negotiations such that the customer is permitted to communicate a binding offer to the merchant.

Regarding claim 30, Storey and Krauss teach all the limitations discussed under claim 27. Storey and Krauss do not expressly teach determining a merchant subsidy

amount based on a third party subsidy amount and a customer's offering price. However, the Examiner takes Official Notice deciding whether to offer a rebate or discount based on a customer's offer price and the existence of a third party subsidy, is old and well known in the bargaining art. For example, a merchant would not offer a rebate if the customer's offering price, plus third party subsidy, only permits the merchant to break even. Therefore, at the time of Appellants' invention, it would have been obvious to one of ordinary skill in the art, to include determining a merchant subsidy amount based on a third party subsidy amount and a customer's offering price in order to determine whether the transaction will be profitable for the merchant.

Regarding claim 31, Storey teaches the step wherein the merchant subsidy amount is further based on at least one of: (i) a retail price associated with the item, (ii) a cost of the item to the merchant, and (iii) a minimum acceptable price associated with the item (col. 5, lines 35-60 and 64-67; and col. 6, lines 1-6).

Regarding claim 47, Storey and Krauss teach all the limitations discussed under claim 45. Storey and Krauss do not expressly teach applying a penalty to the customer if the customer does not perform the second task. However, the Examiner takes Official Notice that drafting a penalty clause in a contract is old and well known in the art. Therefore, at the time of Appellants' invention, it would have been obvious to one of ordinary skill in the art, to modify Storey and Krauss to include applying a penalty to the customer if the customer does not perform the second task in order to encourage users to complete the transaction.

Regarding claim 55, Storey and Krauss teach all the limitations discussed under claim 53. Storey and Krauss do not expressly teach the step wherein said receiving is

performed via a Web page and comprises receiving an indication that the item is in a virtual shopping cart associated with the customer. However, the Examiner takes Official Notice that providing a Web page with a virtual shopping cart is old and well known in the art. Therefore, at the time of Appellants' invention, it would have been obvious to modify Storey and Krauss to include teach a step wherein said receiving is performed via a Web page and comprises receiving an indication that the item is in a virtual shopping cart associated with the customer. This combination would provide a convenient and organized means for completing the transaction.

Regarding claims 61 and 62, Storey and Krauss teach all the limitations discussed under claim 1. Storey and Krauss do not expressly teach a step wherein the merchant benefit comprises an improved transaction term, including at least one of a warranty term and an interest rate term. However, the Examiner takes Official Notice that negotiation for improved transaction terms, such as an extended warranty, is old and well known in the art. Therefore, at the time of Appellants' invention, it would have been obvious to one of ordinary skill in the art to modify Storey and Krauss to include a step wherein the merchant benefit comprises an improved transaction term. This would provide the customer with an incentive to complete the transaction.

**4. Claims 44 and 56 are rejected under 35 U.S.C. 103(a) as being unpatentable over Storey (US 5,774,870) in view of Krauss (Krauss, J. "Subsidized TV sets?" Communications Engineering & Design (February 1998) and further in view of Goldhaber et al. (US 5,855,008) ("Goldhaber").**

Regarding claim 44, Storey and Krauss teach all the limitations discussed under claim 43. Storey and Krauss do not expressly teach the step wherein the merchant subsidy

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offer is not conditioned upon performance of a second task by the customer. However, Goldhaber teaches a system that provides users credit for viewing advertisements over the Web (Abstract). The user does not need to complete a purchase to earn credit (Id.). Goldhaber therefore teaches the step wherein a merchant subsidy offer is not conditioned upon performance of a second task (i.e. purchasing) by the customer. At the time of Appellants' invention, it would have been obvious to one of ordinary skill in the art, to modify Storey and Krauss to include the teachings of Goldhaber in order to provide the customer with credit for accessing the merchant catalog thereby encouraging users to access the merchant's Website.

Regarding claim 56, Storey and Krauss teach all the limitations discussed under claim 53. Storey and Krauss do not expressly teach the step wherein said receiving comprises receiving an indication that the customer is accessing information about the item. However, Goldhaber teaches a system that provides users credit for viewing advertisements over the Web (Abstract). Goldhaber therefore teaches receiving an indication that the customer is accessing information about an item. At the time of Appellants' invention, it would have been obvious to one of ordinary skill in the art, to modify Storey and Krauss to include the teachings of Goldhaber in order to provide the customer with an incentive for accessing the merchant catalog.